

**STATE OF CALIFORNIA  
DEPARTMENT OF MANAGED HEALTH CARE  
HEALTH CARE SERVICE PLAN**

1

## MONTHLY FINANCIAL REPORTING FORM

Submitted on 2/25/2004 2:50:22 PM

1	
1.	FOR THE MONTH ENDING: January 31, 2004
2.	Name: <b>DEDICATED DENTAL SYSTEMS, INC.</b>
3.	File Number:(Enter last three digits) 933-0 <b>244</b>
4.	Date Incorporated or Organized: July 7, 1985
5.	Date Licensed as a HCSP: See Attached
6.	Date Federally Qualified as a HCSP: N/A
7.	Date Commenced Operation: 1988
8.	Mailing Address: 3990 Ming Avenue, Bakersfield, CA 93309
9.	Address of Main Administrative Office: 3990 Ming Avenue, Bakersfield, CA 93309
10.	Telephone Number: (661) 397-5513
11.	HCSP's ID Number: 77-0078333
12.	Principal Location of Books and Records: 3990 Ming Avenue, Bakersfield, CA 93309
13.	Plan Contact Person and Phone Number: David Stanfield, (949) 567-3151
14.	Financial Reporting Contact Person and Phone Number: Robert Hill, (310) 765-2470
15.	President:* David Stanfield
16.	Secretary:* Thomas Gibbon
17.	Chief Financial Officer:* Robert Hill
18.	Other Officers:* David Spence, Chief Operating Officer
19.	
20.	
21.	
22.	Directors:* David Stanfield
23.	Robert Hill
24.	
25.	
26.	
27.	
28.	
29.	
30.	
31.	

The officers listed on lines 15 through 17 of the health care service plan noted on line 2, being duly sworn, each for himself or herself, deposes and says that they are the officers of the said health care service plan, and that, for the reporting period stated above, all of the herein assets were the absolute property of the said health care service plan, free and clear from any liens or claims thereon, except as herein stated, and that these financial statements, together with related exhibits, schedules and explanations therein contained, annexed or referred to, is a full and true statement of all the assets and liabilities and of the condition and affairs of the said health care service plan as of the reporting period stated above, and of its income and deductions therefrom for the period reported, according to the best of their information, knowledge and belief, respectively.




32. President	/s/ David Stanfield (please type for valid signature)
33. Secretary	/s/ Thomas Gibbon (please type for valid signature)
34. Chief Financial Officer	/s/ Robert Hill (please type for valid signature)
* Show full name (initials not accepted) and indicate by sign (#) those officers and directors who did not occupy the indicated position in the previous statement.	
35. If this is a revised filing, check here and complete question 4 on Page 2: <input type="checkbox"/>	
36. If all dollar amounts are reported in thousands (000), check here <input type="checkbox"/>	

Check My Work.

**STATE OF CALIFORNIA**  
**DEPARTMENT OF MANAGED HEALTH CARE**  
**HEALTH CARE SERVICE PLAN**

**MONTHLY FINANCIAL REPORTING FORM**

**SUPPLEMENTAL INFORMATION**

		1
1.	Are footnote disclosures attached with this filing?	Yes 
2.	Is the attached reporting form filed on a consolidated or combined basis? If "Yes", the plan is required to file consolidating or combining schedules.	No 
3.	Is the plan required to file additional information (i.e. parent/affiliate financial statements, claims reports, etc.) that is required by the Department?	Yes 
4.	If this is a revised reporting form, what is/are the reason(s) for the revision?	

## STATEMENT AS OF 1-31-2004 OF 933-0244 DEDICATED DENTAL SYSTEMS, INC.

## REPORT #1 ---- PART A: ASSETS

1	2
<b>CURRENT ASSETS:</b>	Current Period
1. Cash and Cash Equivalents	2,660,881
2. Short-Term Investments	0
3. Premiums Receivable - Net	11,889
4. Interest Receivable	0
5. Shared Risk Receivables - Net	0
6. Other Health Care Receivables - Net	1,771,513
7. Prepaid Expenses	109,996
8. Secured Affiliate Receivables - Current	0
9. Unsecured Affiliate Receivables - Current	138,157
10. Aggregate Write-Ins for Current Assets	165,680
11. TOTAL CURRENT ASSETS (Items 1 to 10)	4,858,116
<b>OTHER ASSETS:</b>	
12. Restricted Assets	50,000
13. Long-Term Investments	0
14. Intangible Assets and Goodwill - Net	58,546
15. Secured Affiliate Receivables - Long-Term	0
16. Unsecured Affiliate Receivables - Past Due	0
17. Aggregate Write-Ins for Other Assets	11,523
18. TOTAL OTHER ASSETS (Items 12 to 18)	120,069
<b>PROPERTY AND EQUIPMENT</b>	
19. Land, Building and Improvements	0
20. Furniture and Equipment - Net	419,747
21. Computer Equipment - Net	59,767
22. Leasehold Improvements -Net	647,323
23. Construction in Progress	0
24. Software Development Costs	0
25. Aggregate Write-Ins for Other Equipment	0
26. TOTAL PROPERTY AND EQUIPMENT (Items 19 to 25)	1,126,837
27. TOTAL ASSETS	6,105,022
<b>DETAILS OF WRITE-INS AGGREGATED AT ITEM 10 FOR CURRENT ASSETS</b>	
1001. Supplies Inventory	165,680
1002.	
1003.	
1004.	
1098. Summary of remaining write-ins for Item 10 from overflow page	
1099. TOTALS (Items 1001 thru 1004 plus 1098)	165,680
<b>DETAILS OF WRITE-INS AGGREGATED AT ITEM 17 FOR OTHER ASSETS</b>	
1701. Deposits	11,523
1702.	
1703.	
1704.	
1798. Summary of remaining write-ins for Item 17 from overflow page	
1799. TOTALS (Items 1701 thru 1704 plus 1798)	11,523
<b>DETAILS OF WRITE-INS AGGREGATED AT ITEM 25 FOR OTHER EQUIPMENT</b>	
2501.	
2502.	
2503.	
2504.	
2598. Summary of remaining write-ins for Item 25 from overflow page	
2599. TOTALS (Items 2501 thru 2504 plus 2598)	0

## STATEMENT AS OF 1-31-2004 OF 933-0244 DEDICATED DENTAL SYSTEMS, INC.

## REPORT #1 ---- PART B: LIABILITIES AND NET WORTH

1	2	3	4
	Current Period		
	Contracting	Non-Contracting	Total
<b>CURRENT LIABILITIES:</b>			
1. Trade Accounts Payable	233,012	XXX	233,012
2. Capitation Payable	0	XXX	0
3. Claims Payable (Reported)	0		0
4. Incurred But Not Reported Claims	18,360		18,360
5. POS Claims Payable (Reported)	0		0
6. POS Incurred But Not Reported Claims	0		0
7. Other Medical Liability	0		0
8. Unearned Premiums	472,749	XXX	472,749
9. Loans and Notes Payable	0	XXX	0
10. Amounts Due To Affiliates - Current	0	XXX	0
11. Aggregate Write-Ins for Current Liabilities	695,291	0	695,291
12. TOTAL CURRENT LIABILITIES (Items 1 to 11)	1,419,412	0	1,419,412
<b>OTHER LIABILITIES:</b>			
13. Loans and Notes Payable (Not Subordinated)	0	XXX	0
14. Loans and Notes Payable (Subordinated)	0	XXX	0
15. Accrued Subordinated Interest Payable	0	XXX	0
16. Amounts Due To Affiliates - Long Term	0	XXX	0
17. Aggregate Write-Ins for Other Liabilities	0	XXX	0
18. TOTAL OTHER LIABILITIES (Items 13 to 18)	0	XXX	0
19. TOTAL LIABILITIES	1,419,412	0	1,419,412
<b>NET WORTH</b>			
20. Common Stock	XXX	XXX	35,292
21. Preferred Stock	XXX	XXX	0
22. Paid In Surplus	XXX	XXX	360,083
23. Contributed Capital	XXX	XXX	0
24. Retained Earnings (Deficit)/Fund Balance	XXX	XXX	4,290,235
25. Aggregate Write-Ins for Other Net Worth Items	XXX	XXX	0
26. TOTAL NET WORTH (Items 20 to 25)	XXX	XXX	4,685,610
27. TOTAL LIABILITIES AND NET WORTH	XXX	XXX	6,105,022
<b>DETAILS OF WRITE-INS AGGREGATED AT ITEM 11 FOR CURRENT LIABILITIES</b>			
1101. Accrued Payroll and Related	593,361		593,361
1102. Accrued Liabilities	101,930		101,930
1103.			0
1104.			0
1198. Summary of remaining write-ins for Item 11 from overflow page			0
1199. TOTALS (Items 1101 thru 1104 plus 1198)	695,291	0	695,291
<b>DETAILS OF WRITE-INS AGGREGATED AT ITEM 17 FOR OTHER LIABILITIES</b>			
1701.		XXX	0
1702.		XXX	0
1703.		XXX	0
1704.		XXX	0
1798. Summary of remaining write-ins for Item 17 from overflow page		XXX	0
1799. TOTALS (Items 1701 thru 1704 plus 1798)	0	XXX	0
<b>DETAILS OF WRITE-INS AGGREGATED AT ITEM 25 FOR OTHER NET WORTH ITEMS</b>			
2501.	XXX	XXX	
2502.	XXX	XXX	
2503.	XXX	XXX	
2504.	XXX	XXX	
2598. Summary of remaining write-ins for Item 25 from overflow page	XXX	XXX	
2599. TOTALS (Items 2501 thru 2504 plus 2598)	XXX	XXX	0

## STATEMENT AS OF 1-31-2004 OF 933-0244 DEDICATED DENTAL SYSTEMS, INC.

## REPORT #2: REVENUE, EXPENSES AND NET WORTH

	1	2
	Current Period	Year-To-Date
<b>REVENUES:</b>		
1. Premiums (Commercial)	197,604	197,604
2. Capitation	54,566	54,566
3. Co-payments, COB, Subrogation	95,232	95,232
4. Title XVIII - Medicare	0	0
5. Title XIX - Medicaid	0	0
6. Fee-For-Service	740,873	740,873
7. Point-Of-Service (POS)	0	0
8. Interest	0	0
9. Risk Pool Revenue	0	0
10. Aggregate Write-Ins for Other Revenues	2,137	2,137
11. TOTAL REVENUE (Items 1 to 10)	1,090,412	1,090,412
<b>EXPENSES:</b>		
<b>Medical and Hospital</b>		
12. Inpatient Services - Capitated	0	0
13. Inpatient Services - Per Diem	0	0
14. Inpatient Services - Fee-For-Service/Case Rate	0	0
15. Primary Professional Services - Capitated	26,044	26,044
16. Primary Professional Services - Non-Capitated	490,632	490,632
17. Other Medical Professional Services - Capitated	0	0
18. Other Medical Professional Services - Non-Capitated	102,128	102,128
19. Non-Contracted Emergency Room and Out-of-Area Expense, not including POS	0	0
20. POS Out-Of-Network Expense	0	0
21. Pharmacy Expense - Capitated	0	0
22. Pharmacy Expense - Fee-for-Service	0	0
23. Aggregate Write-Ins for Other Medical and Hospital Expenses	258,059	258,059
24. TOTAL MEDICAL AND HOSPITAL (Items 12 to 23)	876,863	876,863
<b>Administration</b>		
25. Compensation	44,465	44,465
26. Interest Expense	0	0
27. Occupancy, Depreciation and Amortization	13,919	13,919
28. Management Fees	0	0
29. Marketing	0	0
30. Affiliate Administration Services	0	0
31. Aggregate Write-Ins for Other Administration	21,161	21,161
32. TOTAL ADMINISTRATION (Items 25 to 31)	79,545	79,545
33. TOTAL EXPENSES	956,408	956,408
34. INCOME (LOSS)	134,004	134,004
35. Extraordinary Item	0	0
36. Provision for Taxes	58,000	58,000
37. NET INCOME (LOSS)	76,004	76,004
<b>NET WORTH:</b>		
38. Net Worth Beginning of Period	4,551,606	4,551,606
39. Audit Adjustments	0	0
40. Increase (Decrease) in Common Stock	0	0
41. Increase (Decrease) in Preferred Stock	0	0
42. Increase (Decrease) in Paid in Surplus	0	0
43. Increase (Decrease) in Contributed Capital	58,000	58,000
44. Increase (Decrease) in Retained Earnings:	0	0
45. Net Income (Loss)	76,004	76,004
46. Dividends to Stockholders	0	0
47. Aggregate Write-Ins for Changes in Retained Earnings	0	0
48. Aggregate Write-Ins for Changes in Other Net Worth Items	0	0
49. NET WORTH END OF PERIOD (Items 38 to 48)	4,685,610	4,685,610

## STATEMENT AS OF 1-31-2004 OF 933-0244 DEDICATED DENTAL SYSTEMS, INC.

**REPORT #2: REVENUE, EXPENSES AND NET WORTH**

1	2	3
	Current Period	Year-to-Date
<b>DETAILS OF WRITE-INS AGGREGATED AT ITEM 10 FOR OTHER REVENUES</b>		
1001. Other Specialty Program Revenue	2,137	2,137
1002.		
1003.		
1004.		
1005.		
1006.		
1098. Summary of remaining write-ins for Item 10 from overflow page		
1099. TOTALS (Items 1001 thru 1006 plus 1098)	2,137	2,137
<b>DETAILS OF WRITE-INS AGGREGATED AT ITEM 23 FOR OTHER MEDICAL AND HOSPITAL EXPENSES</b>		
2301. Dental Supplies & Lab	107,137	107,137
2302. Marketing	5,971	5,971
2303. Practice G & A	83,345	83,345
2304. Occupancy, Depreciation, & Amortization	61,606	61,606
2305.		
2306.		
2398. Summary of remaining write-ins for Item 23 from overflow page		
2399. TOTALS (Items 2301 thru 2306 plus 2398)	258,059	258,059
<b>DETAILS OF WRITE-INS AGGREGATED AT ITEM 31 FOR OTHER ADMINISTRATIVE EXPENSES</b>		
3101. HMO G & A	18,690	18,690
3102. HMO Bad Debt	2,471	2,471
3103. Other Income & Expense	0	0
3104.		
3105.		
3106.		
3198. Summary of remaining write-ins for Item 31 from overflow page		
3199. TOTALS (Items 3101 thru 3106 plus 3198)	21,161	21,161
<b>DETAILS OF WRITE-INS AGGREGATED AT ITEM 47 FOR CHANGES IN RETAINED EARNINGS</b>		
4701.		
4702.		
4703.		
4704.		
4705.		
4706.		
4798. Summary of remaining write-ins for Item 47 from overflow page		
4799. TOTALS (Items 4701 thru 4706 plus 4798)	0	0
<b>DETAILS OF WRITE-INS AGGREGATED AT ITEM 48 FOR CHANGES OF OTHER NET WORTH ITEMS</b>		
4801.		
4802.		
4803.		
4804.		
4805.		
4806.		
4898. Summary of remaining write-ins for Item 48 from overflow page		
4899. TOTALS (Items 4801 thru 4806 plus 4898)	0	0

**REPORT #3: STATEMENT OF CASH FLOWS**

1	2	3
	Current Period	Year-to-Date
<b>CASH FLOW PROVIDED BY OPERATING ACTIVITIES</b>		
1. Group/Individual Premiums/Capitation	250,664	250,664
2. Fee-For-Service	746,679	746,679
3. Title XVIII - Medicare Premiums	0	0
4. Title XIX - Medicaid Premiums	0	0
5. Investment and Other Revenues	2,137	2,137
6. Co-Payments, COB and Subrogation	95,232	95,232
7. Medical and Hospital Expenses	-878,186	-871,341
8. Administration Expenses	-80,850	-87,695
9. Federal Income Taxes Paid	0	0
10. Interest Paid	0	0
11. NET CASH PROVIDED BY OPERATING ACTIVITIES	135,676	135,676
<b>CASH FLOW PROVIDED BY INVESTING ACTIVITIES</b>		
12. Proceeds from Restricted Cash and Other Assets	0	0
13. Proceeds from Investments	0	0
14. Proceeds for Sales of Property, Plant and Equipment	0	0
15. Payments for Restricted Cash and Other Assets	0	0
16. Payments for Investments	0	0
17. Payments for Property, Plant and Equipment	-22,960	-22,960
18. NET CASH PROVIDED BY INVESTING ACTIVITIES	-22,960	-22,960
<b>CASH FLOW PROVIDED BY FINANCING ACTIVITIES:</b>		
19. Proceeds from Paid in Capital or Issuance of Stock	0	0
20. Loan Proceeds from Non-Affiliates	0	0
21. Loan Proceeds from Affiliates	0	0
22. Principal Payments on Loans from Non-Affiliates	0	0
23. Principal Payments on Loans from Affiliates	0	0
24. Dividends Paid	0	0
25. Aggregate Write-Ins for Cash Provided by Financing Activities	58,000	58,000
26. NET CASH PROVIDED BY FINANCING ACTIVITIES	58,000	58,000
27. NET INCREASE (DECREASE) IN CASH (Items 11, 18 & 26)	170,716	170,716
28. CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE MONTH	2,490,165	2,490,165
29. CASH AND CASH EQUIVALENTS AT THE END OF THE MONTH	2,660,881	2,660,881
<b>RECONCILIATION OF NET INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</b>		
30. Net Income	76,004	76,004
<b>Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities</b>		
31. Depreciation and Amortization	13,243	13,243
32. Decrease (Increase) in Receivables	3,925	3,925
33. Decrease (Increase) in Prepaid Expenses	8,978	8,978
34. Decrease (Increase) in Affiliate Receivables	50,690	50,690
35. Increase (Decrease) in Accounts Payable	-122,612	-122,612
36. Increase (Decrease) in Claims Payable and Shared Risk Pool	-1,647	-1,647
37. Increase (Decrease) in Unearned Premium	375	375
38. Aggregate Write-Ins for Adjustments to Net Income	106,720	106,720
39. TOTAL ADJUSTMENTS (Items 31 through 38)	59,672	59,672
40. NET CASH PROVIDED BY OPERATING ACTIVITIES (Item 30 adjusted by Item 39 must agree to Item 11)	135,676	135,676
<b>DETAILS OF WRITE-INS AGGREGATED AT ITEM 25 FOR CASH FLOW PROVIDED BY FINANCING ACTIVITIES</b>		
2501. Donated Capital	58,000	58,000
2502.		
2503.		
2598. Summary of remaining write-ins for Item 25 from overflow page		
TOTALS (Items 2501 thru 2503 plus 2598)	58,000	58,000
<b>DETAILS OF WRITE-INS AGGREGATED AT ITEM 38 FOR ADJUSTMENTS TO NET INCOME</b>		
3801. Decrease (Increase) in Supplies Inventories	423	423
3802. Increase (Decrease) in Accrued Liabilities	80,995	80,995
3803. Increase (Decrease) in Accrued Payroll	25,302	25,302
3898. Summary of remaining write-ins for Item 38 from overflow page	0	0
3899. TOTALS (Items 3801 thru 3803 plus 3898)	106,720	106,720

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**REPORT #4: ENROLLMENT AND UTILIZATION TABLE****TOTAL ENROLLMENT**

1 Source of Enrollment	2 Total Enrollees At End of Previous Period	3 Additions During Period	4 Terminations During Period	5 Total Enrollees at End of Period	6 Cumulative Enrollee Months for Period	Total Member Ambulatory Encounters for Period			10 Total Patient Days Incurred	11 Annualized Hospital Days/1000	12 Average Length of Stay
						7 Physicians	8 Non-Physicians	9 Total			
1. Group (Commercial)	13,532	520	311	13,741	13,741			0		0	
2. Medicare Risk				0				0			
3. Medi-Cal Risk				0				0			
4. Individual	17,992	289	456	17,825	17,825			0		0	
5. Point of Service				0				0			
6. Aggregate write-ins for Other	0	0	0	0	0	0	0	0	0		
7. Total Membership	31,524	809	767	31,566	31,566	0	0	0	0	0	
DETAILS OF WRITE-INS AGGREGATED AT ITEM 6 FOR OTHER SOURCES OF ENROLLMENT											
601. Small Group				0				0			
602. Healthy Families				0				0			
603. AIM				0				0			
604. Medicare Cost				0				0			
605. ASO				0		N/A	N/A	N/A	N/A	N/A	N/A
606. PPO				0				0			
607.				0				0			
608.				0				0			
609.				0				0			
610.				0				0			
611.				0				0			
612.				0				0			
Summary of remaining write-ins for											
698. Item 6 from overflow page				0				0			
Totals (lines 601 through 612 plus											
699. 698) (Line 6 above)	0	0	0	0	0	0	0	0	0		

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1	
NOTES TO FINANCIAL STATEMENTS	
1.	
2.	For the period ended January 31, 2004 (dollars in thousands)
3.	
4.	<b>1. Business Description</b>
5.	
6.	<b>Organization</b>
7.	
8.	
9.	Corporation ("Parent"), formerly Gentle Dental Service Corporation, was formed in 1985 as a licensed
10.	health maintenance organization under the California Knox-Keene Health Care Service Plan Act of
11.	1975 (the "Knox-Keene Act"). The Company delivers managed dental care services through its dental
12.	practice offices to enrolled individuals, subscriber groups, individuals covered by State of California
13.	Denti-Cal program, and individuals covered under fee for service plans. All of the Company's
14.	operations serve the Bakersfield, California, region. On July 31, 1998, Parent, a wholly owned
15.	subsidiary of InterDent, Inc., acquired all of the outstanding stock of the Company.
16.	
17.	<b>2. Summary of Significant Accounting Policies</b>
18.	
19.	<b>(a) Business and Regulatory Environment</b>
20.	
21.	The Company is licensed by the Department of Managed Health Care (the "DMHC"). The DMHC
22.	requires the Company to maintain a minimum tangible net equity balance. At January 31, 2004,
23.	the minimum balance required was calculated at approximately \$47. In addition, the DMHC
24.	requires the Company to maintain a minimum deposit of \$50 pursuant to the Knox-Keene Act.
25.	The deposit is comprised of a certificate of deposit held by a trustee and is included in the
26.	accompanying balance sheets as other restricted assets. Interest earned on the funds accrues
27.	to the Company and is not restricted as to use.
28.	
29.	<b>(b) Revenue Recognition and Health Care Services</b>
30.	
31.	Prepaid dental care premiums from enrolled groups and individuals are reported as revenue
32.	in the month in which enrollees are entitled to receive dental care. Premiums received prior to such
33.	period are recorded as unearned premium revenue until earned.
34.	
35.	Fees for services and other revenues consist primarily of net patient service revenue (net patient
36.	revenue). Net patient revenue represents revenue reported at the estimated net realizable amounts
37.	from patients, third-party payors and others for services rendered, net of contractual adjustments.
38.	Such revenues are recognized as services are performed. The Company records its estimated liability
39.	for services provided by other parties based on historical information.
40.	
41.	<b>(c) Cash and Cash Equivalents</b>
42.	
43.	For purposes of the statements of cash flows, cash and cash equivalents include cash on hand and
44.	interest-bearing deposits with original or remaining maturities of three months or less when purchased.
45.	
46.	<b>(d) Accounts Receivable</b>
47.	
48.	Accounts receivable principally represent receivables from patients and insurance carriers for dental
49.	services provided at established billing rates, less allowances and discounts for patients covered
50.	by third-party payor contracts. Payments under these programs are primarily based on
51.	predetermined rates. In addition, a provision for doubtful accounts is provided based upon
52.	expected collections and is included in medical and hospital and practice general and administrative
53.	expenses. These contractual allowances, discounts and allowance for doubtful accounts are
54.	deducted from accounts receivable in the accompanying balance sheets. The discounts and
55.	allowances are determined based upon historical realization rates, the current economic environment
56.	and the age of accounts. Change in estimated collection rates are recorded as a change in estimate
57.	in the period the change is made.
58.	
59.	Continued on tab "Sheet 1")

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OVERFLOW PAGE FOR WRITE-INS	
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## STATEMENT AS OF 1-31-2004 OF 933-0244 DEDICATED DENTAL SYSTEMS, INC.

**KNOX-KEENE**  
**SUPPLEMENTAL INFORMATION**  
**PURSUANT TO SECTIONS 1300.84.06 AND 1300.84.2**

		1		2
1.	Net Equity		\$	4,685,610
2.	Add: Subordinated Debt		\$	0
3.	Less: Receivables from officers, directors, and affiliates		\$	138,157
4.	Intangibles		\$	58,546
5.	Tangible Net Equity (TNE)		\$	4,488,907
6.	Required Tangible Net Equity (See Below)		\$	47,425
7.	TNE Excess (Deficiency)		\$	4,441,482
		Full Service Plans		Specialized Plan
A.	Minimum TNE Requirement	\$ 1,000,000	Minimum TNE Requirement	\$ 50,000
<b>B. REVENUES:</b>				
8.	2% of the first \$150 million of annualized premium revenues	\$	2% of the first \$7.5 million of annualized premium revenue	\$ 47,425
	Plus		Plus	
9.	1% of annualized premium revenues in excess of \$150 million	\$	1% of annualized premium revenue in excess of \$7.5 million	\$ 0
10.	Total	\$ 0	Total	\$ 47,425
<b>C. HEALTHCARE EXPENDITURES:</b>				
11.	8% of the first \$150 million of annualized health care expenditures, except those paid on a capitated or managed hospital basis.	\$	8% of the first \$7.5 million of annualized health care expenditures, except those paid on a capitated or managed hospital basis.	\$ 0
	Plus		Plus	
12.	4% of annualized health care expenditures in excess of \$150 million except those paid on a capitated or managed hospital payment basis.	\$	4% of annualized health care expenditures in excess of \$7.5 million except those paid on a capitated or managed hospital payment basis.	\$ 0
	Plus		Plus	
13.	4% of the annualized hospital expenditures paid on a managed hospital payment basis.	\$	4% of the annualized hospital expenditures paid on a managed hospital payment basis.	\$ 32,208
14.	Total	\$ 0	Total	\$ 32,208
15.	Required "TNE" - Greater of "A" "B" or "C" \$		Required "TNE" - Greater of "A" "B" or "C" \$	47,425

**KNOX -KEENE  
SUPPLEMENTAL INFORMATION  
PURSUANT TO SECTIONS 1374.64**

**POINT OF SERVICE (POS) "ADJUSTED" TANGIBLE NET EQUITY CALCULATION**

Calculation of Tangible Net Equity and required Tangible Net Equity in accordance with Section 1374.64:

	1
1. Net Equity	\$ 4,685,610
2. Add: Subordinated Debt	\$
3. Less: Receivables from officers, directors, and affiliates	\$
4. Intangibles	\$
5. Tangible Net Equity (TNE)	\$ 4,685,610
6. Required Tangible Net Equity (From Line 18 below)	\$
7. TNE Excess (Deficiency)	\$ 4,685,610
ADJUSTED REQUIRED MINIMUM TANGIBLE NET EQUITY CALCULATION:	
<b>I. Plan is required to have and maintain TNE as required by Rule 1300.76 (a)(1) or (2):</b>	
8. Minimum TNE as calculated under Rule 1300.76 (a)(1) or (2)	\$
9. 10% of annualized health care expenditures for out-of-network service for point-of-service enrollees	\$
10. Add lines 8 and 9	\$ 0
<b>II. Plan is required to have and maintain TNE as required by Rule 1300.76 (a)(3):</b>	
<b><u>PART A</u></b>	
11. Minimum TNE as recalculated to exclude annualized healthcare expenditures for out-of-network services for point-of-service enrollees (attach worksheet Page 15)	\$
12. 10% of annualized health care expenditures for out-of-network services for point-of-service enrollees	\$
13. Add lines 11 and 12	\$ 0

## STATEMENT AS OF 1-31-2004 OF 933-0244 DEDICATED DENTAL SYSTEMS, INC.

## POS WORKSHEET FOR ADJUSTED TANGIBLE NET EQUITY CALCULATION

	1 Full Service Plans	2 Specialized Plans
1. Health care expenditures for period	\$ <input type="text"/>	\$ <input type="text"/>
Less:		
2. Capitated or managed hospital payment basis expenditures	<input type="text"/>	<input type="text"/>
3. Health care expenditures for out-of-network services for point-of-service enrollees	<input type="text"/>	<input type="text"/>
4. Result	<input type="text" value="0"/>	<input type="text" value="0"/>
5. Annualized	<input type="text"/>	<input type="text"/>
6. Reduce to maximum of \$150 million	<input type="text"/>	<input type="text"/>
7. Multiply by 8%	\$ <input type="text" value="0"/>	\$ <input type="text" value="0"/>
Plus		
8. Annualized health care expenditures except those paid on a capitated or managed hospital payment basis and excluding health care expenditures for out-of-network services for point-of-service enrollees	\$ <input type="text"/>	\$ <input type="text"/>
9. Line 8 less \$150 million	<input type="text"/>	<input type="text"/>
10. Multiply by 4%	\$ <input type="text" value="0"/>	\$ <input type="text" value="0"/>
Plus		
11. Annualized hospital expenditures paid on a managed hospital payment basis and excluding health care expenditures for out-of-network services for point-of-service enrollees	\$ <input type="text"/>	\$ <input type="text"/>
12. Multiply by 4%	\$ <input type="text" value="0"/>	\$ <input type="text" value="0"/>
13. Total	\$ <input type="text" value="0"/>	\$ <input type="text" value="0"/>

STATEMENT AS OF 1-31-2004 OF 933-0244 DEDICATED DENTAL SYSTEMS, INC.  
 NOTES TO FINANCIAL STATEMENTS  
 (dollars in thousands)  
 (Continued)

(e) Supplies Inventory

Supplies consist primarily of disposable dental supplies and instruments stored at the dental practices. Supplies are stated at the lower of cost (first-in, first-out basis) or market (net realizable value).

(f) Equipment and Leasehold Improvements

Equipment and leasehold improvements are stated at cost; replacements and major improvements are capitalized, while repairs and maintenance are charged to expense as incurred. Equipment is depreciated using the straight-line method over the estimated useful lives of the assets, typically ranging from three to 15 years. Leasehold improvements are amortized using the straight-line method over the shorter of the useful life or the term of the lease.

(g) Goodwill

In July 2001, the FASB issued Statements of Financial Accounting No. 142, "Goodwill and Other Intangible Assets" ("SFAS 142"), effective for the Company in the first quarter of 2002. SFAS 142 requires companies to stop amortizing goodwill and certain intangible assets with an indefinite useful life. Instead, goodwill and intangible assets deemed to have an indefinite useful life are subject to an annual review for impairment. The Company performed the required impairment tests of goodwill as of December 31, 2003, as the goodwill is determined to have an indefinite life. No impairment was recorded as a result of the test. As the goodwill has an indefinite life, the Company does not record amortization on its goodwill.

(h) Long-Lived Assets

In August 2001, the FASB issued Statement of Financial Accounting Standard No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets" ("SFAS 144"). SFAS 144 addresses financial accounting and reporting for the impairment or disposal of long-lived assets. This Statement supersedes SFAS 121, and the accounting and reporting provisions of APB Opinion No. 30, "Reporting the Results of Operations-Reporting the Effects of Disposal of a Segment of a Business, and Extraordinary, Unusual, and Infrequently Occurring Events and Transactions," for the disposal of a segment of a business. The provisions of this statement were effective on January 1, 2002. The adoption of SFAS 144 did not have a significant impact on the Company's financial position or results of operations and no impairment of long-lived assets was recorded during the month ended January 31, 2004.

(i) Fair Value of Financial Instruments

The Company's balance sheets include the following financial instruments: cash and cash equivalents, certificates of deposit, receivables, and accounts payable. The Company considers the carrying amounts of current assets and liabilities in the financial statements to approximate the fair value for these financial instruments because of the relatively short period of time between origination of the instruments and their expected realization.

(j) Concentrations of Credit Risk

Financial instruments which potentially subject the Company to concentrations of credit risk consist primarily of premiums receivable. Concentrations of credit risk with respect to receivables are limited due to the large number of individuals and employer groups comprising the Company's customer base.

(Continued on "Sheet 2")



**STATEMENT AS OF 1-31-2004 OF 933-0244 DEDICATED DENTAL SYSTEMS, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
(dollars in thousands)  
(Continued)

**(k) Income Taxes**

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The Company does not file separate federal, state and local tax returns as they are filed with the tax returns of Parent. According to a tax sharing agreement with Parent, no income taxes payable on the consolidated tax returns is allocated to or payable by the Company (see Note 7).

**(l) Professional Liability Insurance**

The Company maintains claims-made basis professional liability insurance coverage of \$1,000 per incident and \$3,000 in the aggregate on an annual basis. Claims-made coverage covers only those claims reported during the policy period. The Company expects to renew its existing policies and to be able to continue to obtain coverage in future years.

**(m) Claims Payable**

Claims payable, included in other current liabilities, include amounts billed and not paid and amounts incurred for unbilled services ("IBNR") by dental care providers at the balance sheet date. At January 31, 2004, the IBNR reserve estimate was \$18.

**(n) Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

(Continued on "Sheet 3")

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STATEMENT AS OF 1-31-2004 OF 933-0244 DEDICATED DENTAL SYSTEMS, INC.  
NOTES TO FINANCIAL STATEMENTS  
(dollars in thousands)  
(Continued)

(3) Equipment and Leasehold Improvements

The following table summarizes the components of equipment and leasehold improvements at January 31, 2004:

Equipment	\$1,530
Leasehold improvements	<u>945</u>
	\$2,475
Less accumulated depreciation and amortization	<u>(1,348)</u>
	<u>\$1,127</u>

(4) Commitments and Contingencies

The Company leases office space and equipment for its corporate and dental practice offices under various noncancelable operating leases. Future minimum lease payments for the years ending December 31, including those with related parties as outlined in Note 6, are summarized as follows:

2004	\$450
2005	488
2006	460
2007	404
2008	411
Thereafter	<u>0</u>
	<u>\$2,213</u>

Rental expense, including equipment month-to-month rentals, totaled \$43 for the month ended January 31, 2004.

(5) Employee Benefits

The Company participates in the InterDent, Inc. defined contribution plan in accordance with Section 401 (k) of the Internal Revenue Code. The plan covers substantially all employees of the Company. Contributions to the plan by the Company are discretionary. There were no Company contributions to the plan during the month ended January 31, 2004.

(6) Related Party Transactions

Parent receivable at January 31, 2004, was \$138.

Several professional associations ("P.A.'s") affiliated with Parent provide dental care services to certain Company enrolled groups. The Company paid \$15 in capitation payments to the P.A.'s for dental care services provided to enrollees of its insured groups during the month ended January 31, 2004.

The Company continues to lease the following dental practice offices from Dental Practice Management ("DPM"), an entity owned by the Company's prior president:

Clinic	Location/ California
Mountain View Family Dentistry	Arvin
Rosedale Dental Practice	Bakersfield
California Dental Center	Bakersfield
San Dimas Orthodontic Center	Bakersfield
Delano Family Dentistry	Delano

The leases require aggregate monthly payments of up to \$26 and expire at various dates through March 2010. Rental expense, aggregating \$26 for the month ended January 31, 2004, is included in Medical and Hospital under Occupancy, Depreciation, and Amortization.

Future minimum lease payments under lease agreements with DPM for the years ending December 31, are summarized as follows:

2004	\$281
2005	307
2006	307
2007	307
2008	329
Thereafter	<u>0</u>
	<u>\$1,531</u>

(7) Income Taxes

The Company is included as part of the consolidated returns of InterDent, Inc. During the month ended January 31, 2004, the Company recorded income tax expense of \$58 as if the Company were taxed as a C Corporation and was responsible for its federal and state income taxes on a stand-alone rather than a consolidated basis. However, under the Company's tax-sharing agreement with Parent, no income taxes payable under any federal, state, or local tax return of the consolidated group of which Parent is a member shall be allocated to or payable by the Company. As a result, the Company has recorded a capital contribution from Parent of \$58 for the month ended January 31, 2004.

**STATEMENT AS OF 1-31-2004 OF 933-0244 DEDICATED DENTAL SYSTEMS, INC.**

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